



Hargreaves Services plc

Preliminary Results Year ended 31 May 2011

Leaders in Solid Fuel Supply & Bulk Material Logistics



Source > **Process** > **Distribute**
Creating an integrated value chain

Results Highlights

- Another successful year
- Net Debt at 31 May 2011 was £66m
- Operating profit increased by 20.7% to £46.7m
- Profit before tax increased 18.1% to £40.5m
- EPS increased 16.8% to 103.7 pence
- Full year dividend increased 14.8% to 15.5 pence

Note: Operating profit, profit before tax and EPS are all stated before amortisation of intangibles and including share of profits and losses in jointly controlled entities.

Highlights

Gordon Banham, Chief Executive Officer



Operational Highlights

Production

- Maltby – another difficult year, new working practices agreed
Pond Fines sales progressing well
- Monckton – continuing strong performance and prices
- Tower planning recommendation

Transport

- Improved revenues and profits in Tankers
- Bulk fleet operations streamlined and reorganised
- Bulk fleet profitability impacted by weather and restructuring (c£0.5m)

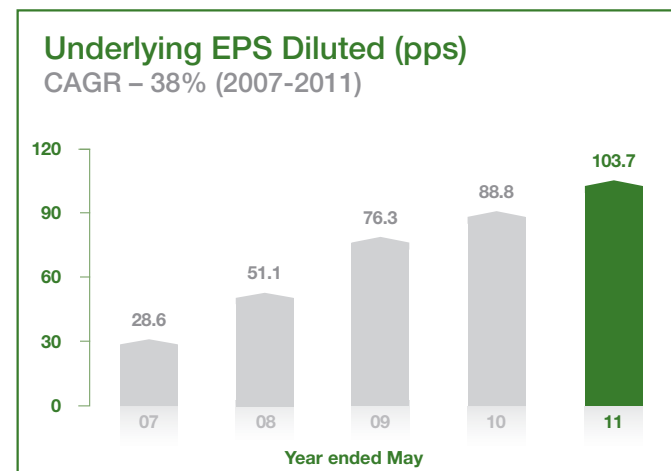
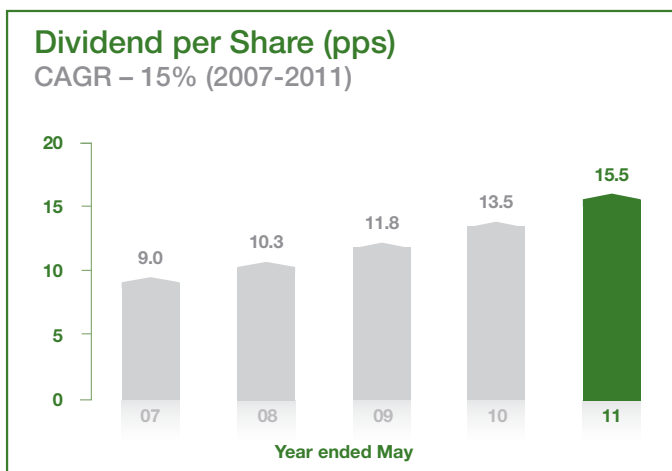
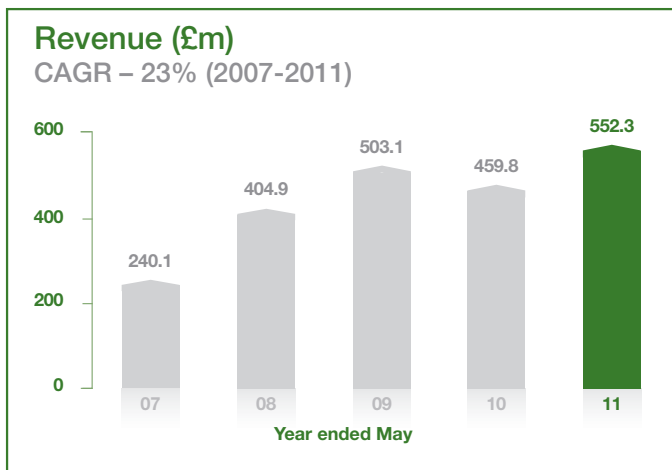
Industrial Services

- First steel sector tender won and two new power station contract wins post year end
- Engineering tender activities at record levels
- Asia development progressing well

Energy and Commodities

- 100%+ growth in European operating profit
- Trading first PCI cargos
- UK business continue to perform well
- Hatfield off-take contract signed (delivery commenced post year end)

5 Year Track Record



Tower Project Update



Tower – Operations Update

- Planning update – concluding restoration bond and s106 agreement (Site operation will be outsourced to Hargreaves Group)
- Cost plus arrangement therefore limited operating risk
- Target to have site fully set up and operating by June 1st 2012 (1mt per annum)
- Good quality coal, low ratio
- Target off-take contracts into thermal & PCI markets

Financial and Segmental Performance

Iain Cockburn, Finance Director

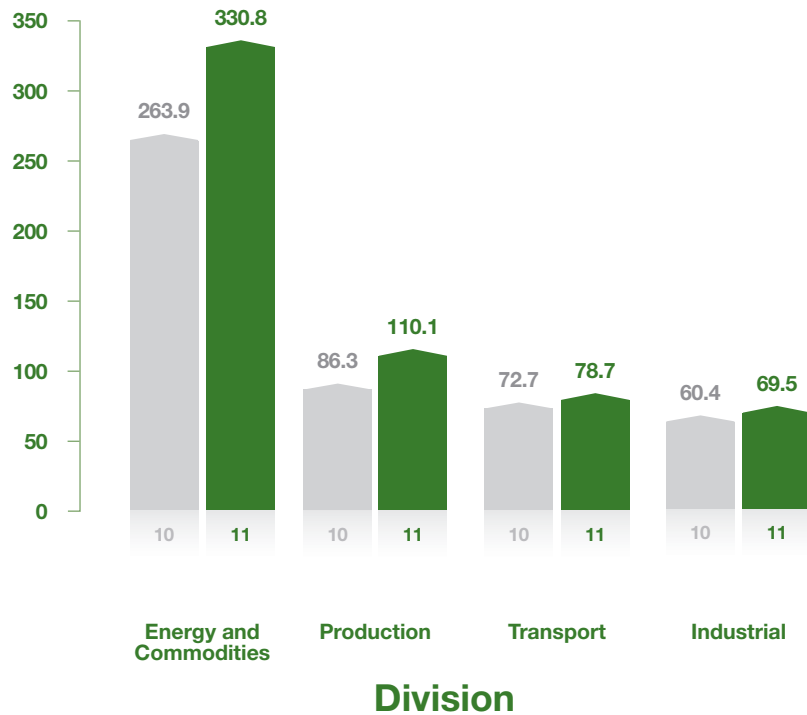


Income Statement Highlights

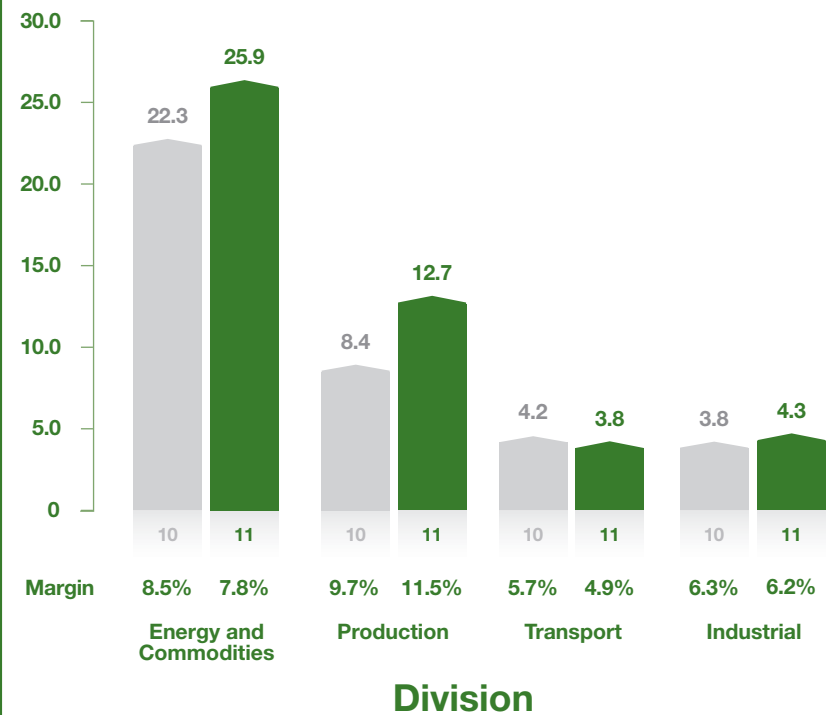
	2011 £'m	2010 £'m	% Movement
Revenue	552.3	459.8	20.1%
Underlying Operating Profit	46.7	38.7	20.7%
EBITDA	64.5	52.6	22.5%
Net Interest Expense	6.2	4.4	41.1%
Underlying Profit Before Tax	40.5	34.3	18.1%
Underlying EPS	103.7p	88.8p	16.8%
Dividend Per Share (proposed)	15.5p	13.5p	14.8%

Segmental Performance

Segmental Revenue Analysis (£m)



Segmental Underlying Operating Profit (£m)



Cash Flow Highlights

	2011 £'m	2010 £'m
EBITDA	64.5	52.6
Trading Working Capital	(8.2)	(22.1)
Operating Cash Flow	56.3	30.5
Interest	(6.1)	(4.0)
Taxation	(4.7)	(11.5)
Loans advanced to Tower JV	(0.7)	(2.4)
Acquisitions	(0.8)	(1.3)
Issue of Shares	1.1	–
Capital Expenditure	(18.0)	(26.6)
Dividends Paid	(3.9)	(3.3)
Other	(0.9)	(0.4)
Movement in Net Debt in period	22.2	(19.0)

Balance Sheet Highlights

	2011 £'m	2010 £'m
Goodwill and Intangibles	31.6	34.6
Tangible Fixed Assets	87.1	85.6
Working Capital (see Appendix 1)	92.8	84.4
Derivative Financial Instruments	(2.5)	(1.2)
Retirement Benefit Obligations	(3.9)	(6.2)
Provisions	(8.8)	(9.0)
Other Net Liabilities	(15.7)	(10.3)
Net Assets Before Borrowings	180.6	178.0
Net Debt (see Appendix 2)	(66.0)	(88.2)
Net Assets	114.6	89.8
Gearing (Debt/Equity)	58%	98%
Debt/EBITDA	1.0	1.7
Interest cover (times)	10.5	12.1

Tower – Finance Update

- JV Co formed – Tower Regeneration Limited
- Hargreaves' profit share (35% mining profits / 50% share property profits)
- £1m non-refundable “equity” cost
- Loans to date £3.6m
- Final loan advance of £6m to JV on signing of s106
- JV will not be consolidated
- JV will have a £10m standalone working capital facility
- Plant and Equipment requirement circa £38m
(Target funding 80% by JV Co/20% Hargreaves Group)

Financial Summary

- Results in line with our expectations
- Maltby challenges offset by pond fines and higher commodity prices feeding through
- Strong performance and opportunity in Europe
- Net debt target at 31st May 2011 achieved despite commodity price rises
- Comfortable with debt levels, headroom and covenants
- Well placed to support further investment and growth into Europe

Review and Outlook

Gordon Banham, Chief Executive Officer



Outlook

Production

- Maltby 5th Shift should underpin current year performance and improving geology in next panel
- Monckton and Maltby full output sold until end 2012
- Tower success basis for developing further surface coal operations

Transport

- Continue to support Tankers and drive growth
- Complete streamlining of bulk fleet

Industrial Services

- Focus on increasing UK coal power station market share
- Continue development into Steel sector
- Invest and establish first contracts in Asia
- Good opportunity to grow engineering services

Energy and Commodities

- Strong growth in Europe looks set to continue (developing thermal coal)
- PCI coal supply a key opportunity – UK, Europe and Global
- Review opportunities in Renewables

Summary

- Another successful year, the focus for 2011-2012 will be:
 - Production – Tower execution and developing further UK surface mining opportunities;
 - Industrial – Developing into steel sector and Asia;
 - Energy and Commodities – Building on the success of Europe and developing the specialty sector in both the UK and globally.

- Looking forward with confidence

Appendices



Appendix 1

Trading Working Capital

	May 2011			May 2010			Movement		
	UK £'m	Europe £'m	Total £'m	UK £'m	Europe £'m	Total £'m	UK £'m	Europe £'m	Total £'m
Stock	68.6	37.4	105.9	55.3	26.7	82.0	13.3	10.7	23.9
Trade Debtors	44.3	9.1	53.4	36.2	13.2	49.5	8.1	(4.1)	3.9
Trade Creditors*	(46.2)	(7.5)	(53.7)	(31.6)	(7.4)	(39.0)	(14.6)	(0.1)	(14.7)
Trading Working Capital	66.6	39.0	105.6	59.9	32.5	92.4	6.7	6.5	13.2
Other Drs/Crs	(12.2)	(0.7)	(12.8)	(5.7)	(2.3)	(8.0)	(6.5)	1.6	(4.8)
Total Working Capital	54.5	38.3	92.8	54.2	30.2	84.4	0.3	8.1	8.4

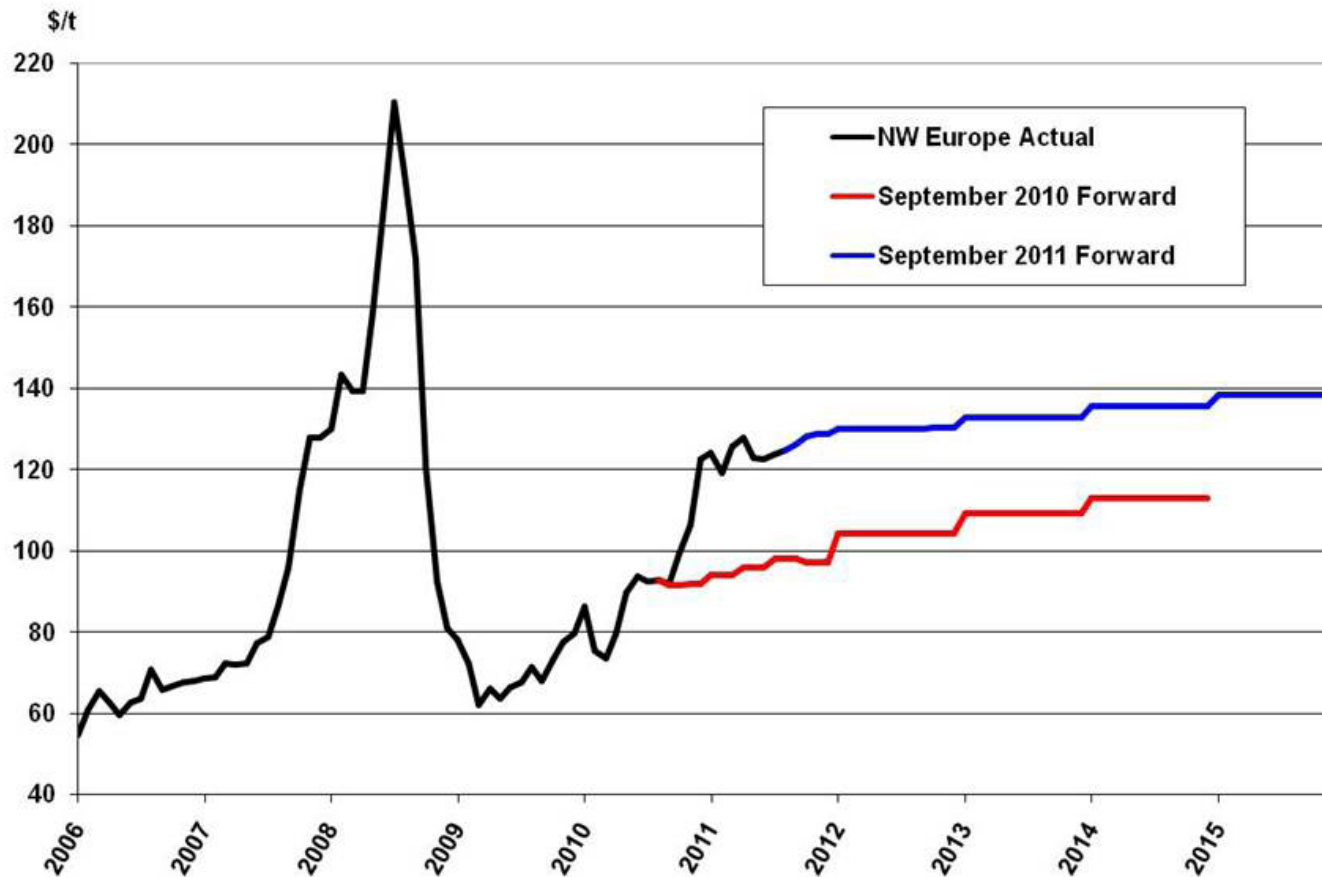
*adjusted to include trade invoice accruals

Appendix 2

NET DEBT AND FACILITIES

	UK £'m	Europe £'m	Total £'m	Facility £'m	Headroom £'m
RCF	(43.0)	–	(43.0)	80.0	37.0
Invoice Finance	3.2	–	3.2	35.0	38.2
Asset Finance	(16.2)	–	(16.2)	25.0	8.8
Cash/(Overdraft)	(1.1)	(8.9)	(10.0)	48.0	38.0
Intergroup loans	10.1	(10.1)	–	–	–
Total Net Debt	(47.0)	(19.0)	(66.0)	188.0	122.0

Appendix 3 – Coal Price



Source: IHS McCloskey

Please note: Prices shown in US Dollars